



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 15, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavy
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

RETROACTIVE CONTRACTS ANNUAL SURVEY RESULTS

On May 22, 2007, based on recent requests by departments for approval of retroactive payments, your Board issued a series of instructions to limit the occurrences of retroactive payment requests, including the following directive to this Office:

- *Before the close of each fiscal year and prior to the adoption of the final County budget, provide a report to the Board identifying all retroactive and pending retroactive payments approved by the Board for each department.*

In response to your instructions, we established the Retroactive Contract Review Committee (RCRC), a three-member committee composed of staff from Auditor-Controller, Internal Services Department, and this Office in August 2007 to review any retroactive contract before it could be placed on your Board's agenda for approval. As part of the RCRC review process, departments are required to prepare a report explaining the circumstances that led to the retroactive occurrence, as well as corrective action measures implemented to prevent recurrence and any disciplinary actions. For each retroactive matter, the RCRC provides a final recommendation that will be reflected in the subsequent Board letter.

As indicated in Attachment I, departments submitted 13 contracts requiring retroactive payments totaling approximately \$4,183,912 to the RCRC during the past fiscal year. The types of services contracted varied by department. In most of these scenarios, the reason for the retroactive situation was primarily attributable to the departments failing to adequately monitor the contract resulting in the contract expiring while services were still being provided by the vendor.

Pending Retroactive Contracts Survey Results

In addition to the above actions, this Office surveyed departments as to their pending retroactive contracts for 2008-09 and only three departments (Mental Health, Probation, and Public Library) indicated they have pending retroactive contracts requiring your Board's approval for the current

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fiscal year. Please see Attachment II for a detailed listing of pending retroactive contracts for 2008-09. Probation, Public Library, and Mental Health appeared before the RCRC to address their retroactive situations.

Based upon our analysis of the survey information, we determined that the vast majority of departments have appropriate procedures and policies in place to avoid retroactive contracts. The very limited pending retroactive incidents disclosed by our survey appear to indicate that departments are by and large enhancing contract monitoring activities to avoid such situations.

Proactive Measures

To further lessen the occurrence of retroactive contracts, we will explore the feasibility of modifying the eCAPS system to strengthen our contract monitoring capabilities by providing departments with automated notices that will indicate their contracts are close to expiration and/or the contract expenditures are near the maximum allowable amount. In addition, this Office is conducting a classification study of the contract analyst series to develop recommendations to ensure the duties, responsibilities, and compensation levels are accurately reflected in the contract analyst series. As a result of the classification study, the contract analyst series will be more equitably distributed countywide, thereby ensuring departments will be able to retain experienced contract staff.

As part of our ongoing efforts to reduce retroactive contracts, the RCRC will continue to work with affected departments to assess the reasons that led to non-compliance and develop recommendations to improve their processes. In addition, we will continue to document corrective action plans submitted by departments during the RCRC process, and advise all departments to incorporate enhanced policies, procedures, and best practices, as applicable, to maintain compliance with contract and purchasing policies. Improved policies and procedures will minimize the occurrence of retroactive contracts. However, there will always be a human element subject to unintentional error involved in the contracting process.

Per your Board's instruction, we will continue to report to your Board on an annual basis on retroactive contracts. Should you have questions regarding this memorandum, please let me know, or have your staff contact Vincent Amerson at (213) 974-1168 or vamerson@ceo.lacounty.gov.

WTF:ES
MKZ:VLA:pg

Attachments

c: All Department Heads
Administrative Deputies
Contract Managers' Network

RETROACTIVE CONTRACTS REVIEW COMMITTEE CHART
FISCAL YEAR 2007-08

RCRC MEETING DATE(S)	DEPARTMENT	NUMBER OF CONTRACTS	AMOUNT	SERVICES
August 15, 2007 and August 29, 2007	Health Services	4	\$729,978	1. CBORD Group, Inc. – maintenance and repair of security alarm system at MLK-Harbor and Harbor-UCLA Medical Center – \$118,570 2. California Emergency Physician's Medical Group, Inc. – emergency department medical services at MLK-Harbor - \$485,000 3. UCLA Pathology Outreach Services – specialized laboratory testing at Olive View Medical Center - \$70,446 4. Health Management Associates – consulting services related to the reconfiguration of clinical and related services at LAC+USC Medical Center - \$55,962
September 19, 2007	Mental Health	4	\$2,452,257	Pharmaceutical Rebates Business Agreements on prescription medications. Four firms for the same services; the department accepted retroactive rebates from two of the four firms.
November 8, 2007 and November 26, 2007	Health Services	2	\$698,759	1. University of California – academic services via the UCLA Medical School Operating Agreement - \$671,519 2. Health Management Associates – consulting services related to the process of closing inpatient services at MLK-Harbor - \$27,240
January 9, 2008	Sheriff's Department	1	\$86,625	Visitor bus transportation services
March 3, 2008	Executive Office – Board of Supervisors	1	\$206,509	Offsite Storage and Retrieval Services for Board of Supervisors' records
June 25, 2008	Mental Health	1	\$9,784	Mental Health services provided to Short-Doyle/Medi-Cal (SD/MC) eligible clients based on approved claims from the State.
TOTALS		13	\$4,183,912	

08/15/08

**PENDING RETROACTIVE CONTRACTS
FISCAL YEAR 2008-09**

DEPARTMENT	SERVICES	CONTRACTOR	AMOUNT	COMMENTS
Mental Health	HIPPA Remediation Project	Sierra Systems Group, Inc. (California) / Sierra Systems Inc. (Washington)	\$13,300,000 \$1,281,564 Total \$14,581,564	DMH was only recently notified that vendor had merged with new company; the department request for the Board to retroactively approve the new company to provide the services and to retroactively approve payment for services that exceeded the contract amount.
Probation	1) Gender-specific Services for Youth 2) Employment Services for Youth 3) Home-based Services for Youth 4) Home-based Services for Youth	1) Asian American Drug Abuse Program 2) Special Services for Groups 3) Starview Children & Family Services 4) Soledad Enrichment Action	1) \$23,945 2) \$37,370 3) \$8,376 4) \$52,700 Total \$122,391	Each of the four retroactive issues involves the contractors receiving youth service referrals from Probation that exceed the volume funded by the contract, and the provision of services to those referred youth beyond the dollar limits of the original contract terms prior to Probation exercising its delegated authority to increase each contract's dollar limit.
Public Library	Temporary as-needed personnel services for all three agreements.	1) AppleOne Employment Services 2) Helpmate Staffing Services 3) Ladera Career Paths, Inc.	1) \$32,499 2) \$41,310 3) N/A Total \$73,809	Public Library did not properly execute first renewal option year for each agreement. These three agreements were approved as a unit with a combined contract amount of \$400,000.

08/15/08